Service Date: November 10, 2006

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA
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INQUIRY INTO MATTERS	)	UTILITY DIVISION
CONCERNING INTERCARRIER	)	
COMPENSATION	)	DOCKET NO. D2004.5.84

COMMENTS OF

BLACKFOOT TELECOMMUNICATIONS GROUP

Blackfoot Telecommunications Group[1] welcomes the opportunity to provide comments to the Commission pursuant to its notice dated September 8, 2006, regarding the "Missoula Plan" and related issues currently before the Federal Communications Commission ("FCC") in CC Docket No. 01-92, *In the Matter of Developing a Unified Intercarrier Compensation Regime.*

Blackfoot Telecommunications Group is a proud member of the Montana Telecommunications Association ("MTA"), and supports the comments filed in this proceeding by MTA. The following comments of Blackfoot Telecommunications Group

[1] Blackfoot Telecommunications Group is a registered business name encompassing the family of companies under common ownership with Blackfoot Telephone Cooperative, headquartered in Missoula, Montana. For the purposes of these comments, Blackfoot Telecommunications Group refers to both Blackfoot Telephone Cooperative, a rural ILEC, and Blackfoot Communications, a CLEC providing service in the Missoula region.

are intended to supplement and expand on certain aspects of MTA's comments regarding the Missoula Plan. For the reasons stated in MTA's comments, as expanded below, Blackfoot Telecommunications Group supports the Missoula Plan, and urges this Commission to file comments supporting the FCC's adoption of the Plan.

Blackfoot Telecommunications Group would like to focus these comments on three specific issues: 1) the general benefits of the Missoula Plan to rural states such as Montana; 2) Track 3 of the Missoula Plan is a rationale approach to addressing the current intrastate and interstate access pricing disparities, and the arbitrage they promote; and 3) Specific issues relating to the sizing and application of the Plan's Restructure Mechanism ("RM").

Blackfoot Telephone Cooperative, together with most other incumbent carriers in Montana, are classified as Track 3 carriers under the Missoula Plan.[2] Track 3 recognizes that rural areas, such as Western Montana, are unique and significantly higher cost to serve than urban areas, and therefore maintains cost-based rates. Under Track 3, which is voluntary on a state to state basis, rural carriers in Montana, including Blackfoot Telephone Cooperative, will see their intrastate access rates, over a period of four years, reduced to interstate access levels. However, Track 3 is intended to be 'revenue neutral.' This significant loss of revenue will be recovered in a combination of Subscriber Line Charge (SLC) increases, reciprocal compensation revenues, unified access rates, and the establishment of the RM. Recovery of any residual revenue loss resulting from the decrease in intrastate access rates to interstate levels will insure that small rural carriers

[2] Under the Missoula Plan, Qwest is a Track 1 carrier, and CenturyTel and Frontier Communications are Track 2 carriers. All other Montana incumbent local exchange carriers are Track 3 carriers.

are able to recover the costs of providing service in remote areas, and that rural Montana will not be relegated to secondary status for the deployment of new services. Further, reductions in access rates should result in consumers benefiting from lower long distance rates, assuming access reductions are passed through by long distance carriers.

Second, Track 3 results in a more rational pricing scheme for access services. Current intrastate access rates are, in Blackfoot's case, almost four times interstate rates, and for some rural carriers can be more than ten times interstate rates. This pricing disparity results in the arbitrage of access services (mischaracterization of intrastate traffic as interstate traffic), and the loss of long distance services. Assuming reductions in access rates are flowed through to retail long distance rates, consumers should benefit from decreases in long distance rates and the greater availability of bundled services.

Third, Blackfoot Telecommunications Group, while supporting the Missoula Plan, needs to point out some possible shortcomings regarding the 'sizing' and application of the RM and SLC increases. For companies such as Blackfoot Telephone Cooperative that have proactively changed traditional price structures by shifting revenue recovery from intrastate carrier access to local services, the Missoula Plan, and RM, should recognize this proactive change. Otherwise, local rate payers will incur increased SLCs even though they have already recently incurred local rate increases to offset intrastate access reductions.

A simple way of addressing this issue is to stair-step Track 3 SLC increases so that they correspond to the existing intrastate access revenues <u>and</u> local rates. The Missoula Plan, as submitted, essentially provides that a company's RM recovery will be based on the forgone intrastate access revenue, less the additional revenue from SLC increases. Or, stated another way: RM = foregone access – SLC increases. However, without a benchmark local revenue target, this makes no economic sense. Why should a company with $10/month local rates be treated the same as a company with $25/month local rates for purposes of sizing the RM? They shouldn't. Rather, the RM should account for companies that have already progressively shifted revenue recovery to local rates through initiatives such as broad EAS arrangements.

The FCC should adopt a national benchmark for local revenues. 'Local revenues' would include Local Network Service Revenues (5000 accounts) plus the Network Access End User Revenues (5081) as defined by Part 32 accounting. Additional SLCs called for by the Missoula Plan would kick in, over the four year transition period, only to the extent that a company's 'local' rates (developed as an average per line revenue for all local lines) falls below the national benchmark. If the 'local' rates are at or above the national benchmark, no additional SLCs would apply. Blackfoot is developing, and will present at the November 17, 2006 roundtable, an exhibit that demonstrates this simple approach.

Sizing of the RM is also an issue for CLECs such as Blackfoot Communications. As noted above, Blackfoot Communications would be treated as a Track 1 carrier under the Missoula Plan. Blackfoot does not take particular exception to this treatment, as we have become accustomed to competing with Qwest and others on a level playing field. And, therein lies the rub. Blackfoot calculates that Qwest (and other Track 1 carriers) will receive a RM recovery based on the reductions in interstate and intrastate access revenues called for by the Missoula Plan. The FCC has mandated that CLECs such as Blackfoot Communications mirror the incumbent RBOC's access rates (and indeed, that is the only way other carriers will pay such rates), and therefore Blackfoot Communications will also observe a decrease in interstate and intrastate access revenues. The RM must therefore apply equally to CLECs operating in a Track 1 incumbent's service area. Otherwise, the incumbent receives an anticompetitive windfall via the RM.

Conclusion

Again, Blackfoot appreciates the opportunity to participate in this dialogue. We urge the Commission to support the Missoula Plan, including 'opting in' to the Track 3 provisions. Blackfoot further urges the Commission to recommend to the FCC that it adopt a national benchmark for the purposes of 'sizing' and applying the RM.

RESPECTFULLY SUBMITTED this 10th day of November, 2006

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